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Meeting with Deputy Secretary of State

30 May 1986

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29 May 1986

MEMORANDUM FOR: Deputy Director of Central Intelligence

SUBJECT: Meeting with Deputy Secretary of State, 30 May 1986

1. You are scheduled for a luncheon meeting with Deputy Secretary Whitehead, Michael Armacost and Mort Abramowitz tomorrow at State Department. Clair George and Dick Kerr are also scheduled to attend.

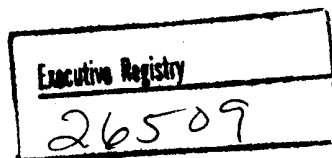
2. The following items are on the agenda:

TAB A Deputy Secretary Whitehead's South America Trip. Mr. Whitehead would like to fill you in on his recent trip to Argentina, Brazil, Uruguay, Peru and Bolivia. At Tab A are two of his cables from Buenos Aires and Brasilia in case you would like a sneak preview.

TAB B Overseas Reductions. State plans to raise this issue again. You will recall that last week Abramowitz commented that the only way around the impasse they are facing is a percentage cut for each agency. Attached at Tab B is a memo for the record on the DDA's conversation with Ron Spiers on this topic.

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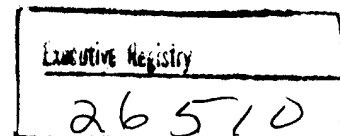
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TAB F Status of SNIE on Implications of a Nuclear South Asia. State wants to pursue the issues of handling and distributing this sensitive estimate. (For your background, the draft has just been coordinated this week and faced no major substantive problems. It goes to NFIB next week.) State is unhappy about the implications of the estimate's message and the potential political fallout if it is leaked. They are most concerned about who will get to read it and are arguing for very limited distribution.

So far, the NIOs involved, Graham Fuller and General Einsel, have not decided on distribution and handling. They are, however, sympathetic to State's concerns. (At Tab F, you will find a rough copy of the Key Judgments.)

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DCI/DDCI Executive Staff



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FOR THE SECRETARY FROM WHITEHEAD

E. O. 12356: DECL: OADR

TAGS: OVIP (WHITEHEAD, JOHN C.)

SUBJ: MY VISIT TO ARGENTINA

1. SECRET - ENTIRE TEXT.

2. ARGENTINA IS SOMETHING OF AN ENIGMA. I FIND THE GOVERNMENT FAR CLOSER TO US POLITICALLY THAN I HAD EXPECTED. ON CENTRAL AMERICA PRESIDENT ALFONSIN AND FOREIGN MINISTER CAPUTO WELCOMED THE WHITE HOUSE STATEMENT ON CONTADORA WITH ENTHUSIASM AND INDEED SEEMED TO INDICATE THAT THEY TOO COULD HARDLY ENDORSE AN AGREEMENT THAT DID NOT CONTAIN THE SAME CONDITIONS THAT WE INSISTED ON. THEY WERE UNDERSTANDING ON LIBYA, CLAIMED THERE WAS VERY LITTLE ANTI-AMERICAN FEELING IN ARGENTINA, DID NOT MENTION BRITAIN OR THE A-4S, AND FLATLY STATED THAT THEY WOULD NOT RENEW THE RECENTLY EXPIRED TRADE CREDIT AGREEMENT WITH CUBA.

3. ECONOMIC CONDITIONS ARE ANOTHER MATTER. HERE THINGS

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ARE WORSE THAN I HAD EXPECTED. THERE IS NO CRISIS BUT IT IS DISAPPOINTING THAT, FOR ALL HIS STRONG RHETORIC AND GOOD INTENTIONS, ALFONSIN HAS BEEN UNABLE AFTER THE INITIAL WAGE AND PRICE FREEZE TO INSTITUTE VERY MUCH OF HIS PROGRAM TO REDUCE GOVERNMENT EXPENDITURES, DEREGULATE THE ECONOMY, ENCOURAGE THE PRIVATE SECTOR, ETC. THE HEAVY HAND OF GOVERNMENT STILL CASTS A PALL ON EVERYTHING. FIFTY-FIVE PERCENT OF GDP GOES TO SUPPORT GOVERNMENT AND GOVERNMENT-OWNED ENTERPRISES. IT WILL BE A LONG, LONG TIME BEFORE THIS ECONOMY CAN SHOW ANY REAL REVIVAL.

4. I BEGAN MY VISIT TO BUENOS AIRES AMID STREET DEMONSTRATIONS BY THE GOVERNING RADICAL PARTY AND THE OPPOSITION AND A NATIONAL TELEVISED ADDRESS BY ALFONSIN. THE PRESIDENT AND I MET FOR AN HOUR SATURDAY MORNING AND DISCUSSED THE ARGENTINE ECONOMY AND ITS SLUGGISH PRIVATE SECTOR, CENTRAL AMERICA AND WAYS IN WHICH THE GOVERNMENT CAN EXTRICATE THEMSELVES FROM THEIR STATIST TRADITIONS. ON THE ECONOMY, THE PRESIDENT SAID HE WAS REDUCING THE PUBLIC SECTOR BY A MEAGER 2500 EMPLOYEES PER MONTH BUT THE PRIVATE SECTOR REMAINS FAR TOO SLUGGISH AND ATTACHED TO PROTECTION BY THE STATE TO ABSORB PUBLIC LAYOFFS AT A HIGHER RATE. I ENCOURAGED HIS INSTINCTS TOWARD DENATIONALIZATION AND SUGGESTED THAT WORKERS BE GIVEN A SHARE IN PUBLIC ENTERPRISES THAT GO PRIVATE. THE PRESIDENT ASKED IF WE MIGHT SEND A GROUP OF US ENTREPRENEURS TO ARGENTINA FOR 3-4 WEEKS TO CONSULT INFORMALLY BOTH WITH THE GOVERNMENT AND THE PRIVATE SECTOR BUSINESSMEN, A GOOD IDEA WHICH WE WILL FOLLOW UP ON. HE ALSO ASKED ABOUT TRENDS TOWARD CO-MANAGEMENT IN THE US. I SAID THAT IT WAS INDEED A SIGNIFICANT MOVEMENT AND AT HIS REQUEST AGREED TO PULL SOME MATERIAL

TOGETHER FOR HIM ON CO-MANAGEMENT THEORIES AND IMPLEMENTATION. ON US-ARGENTINE ECONOMIC RELATIONS.

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ALFONSIN SAID WE NEEDED TO ENCOURAGE US INVESTMENT
IN ARGENTINA AND OPEN OUR OWN MARKETS TO ARGENTINE GOODS.

5. I FOUND THE PRESIDENT IN A RELAXED, UPBEAT MOOD. IN FACT HE TOLD ME THAT FOREIGN MINISTER CAPUTO HAD SHOWN HIM THE WHITE HOUSE STATEMENT ON CENTRAL AMERICA WHICH ALFONSIN SAID QUOTE GOT MY DAY OFF TO A GOOD START UNQUOTE. I THINK WE ESTABLISHED A WARM AND FRIENDLY RELATIONSHIP.

6. MY OFFICE CALL ON CAPUTO WAS MORE LIKE A MEETING BETWEEN FINANCE MINISTERS THAN DIPLOMATS. SINCE WE DEALT ALMOST EXCLUSIVELY WITH DEBT AND ECONOMIC ISSUES. CAPUTO ACKNOWLEDGED THAT THE PRIVATE SECTOR MUST BE THE DRIVING FORCE BEHIND RENEWED ECONOMIC GROWTH AND CONTINUED DEMOCRATIZATION. BUT HE ALSO STRESSED THAT THE GOVERNMENT WAS CONSTRAINED BY INTERNAL POLITICAL PRESSURES AND EXTERNAL DEBT. I EMPHASIZED THAT THE GOA'S ULTIMATE OBJECTIVE HAD TO BE CREATION OF A CLIMATE IN WHICH CAPITAL FLOWED INTO ARGENTINA FROM THE DEVELOPED COUNTRIES, PARTICULARLY CAPITAL WHICH HAD FLOWN OUT OF ARGENTINA OVER RECENT YEARS. CAPUTO AGREED, BUT SAID ARGENTINA NEEDS SOME QUOTE BREATHING SPACE UNQUOTE TO LET CURRENT PUBLIC AND PRIVATE SECTOR REFORMS TAKE HOLD.

7. I DID GET A CHANCE TO RAISE OUR CONCERN ABOUT THE LIBYAN PEOPLE'S BUREAU IN BUENOS AIRES, ONE OF THE LARGEST IN LATIN AMERICA. CAPUTO RESPONDED POSITIVELY, POINTING OUT THAT THE GOVERNMENT WAS TIGHTENING ITS CONTROL OF THE MOVEMENT OF LIBYANS HERE. ALTHOUGH HE STILL HAS RESERVATIONS ABOUT OUR USE OF FORCE, HE DESCRIBED QADHAFI AS A QUOTE NUT UNQUOTE WHO THREATENS ALL OF US.

8. ECONOMIC MINISTER SOURROUILLE AMPLIFIED MUCH OF WHAT CAPUTO TOLD ME. HE SAID THAT NEARLY FIVE PERCENT OF GDP NOW GOES TO DEBT SERVICE AND THAT GROWTH WITH LOW

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 INVESTMENT LEVELS WILL BE EXTREMELY DIFFICULT. HE
 ADMITTED THAT THE PRIVATE SECTOR REMAINS SKEPTICAL OF THE
 GOVERNMENT'S APPROACH BUT ASSURED ME THAT THE GOA IS
 FIRMLY COMMITTED TO FINANCIAL DISCIPLINE AS IT TRIES TO
 MOVE THE ECONOMY FROM AUSTERITY TO GROWTH.

9. AFTER COCKTAILS WITH SEVERAL LEADING OPPOSITION
 POLITICIANS, WHO DESCRIBED IN FRUSTRATING DETAIL THE
 GOVERNMENT'S CONTINUED SMOTHERING OF THE PRIVATE SECTOR,
 I WENT TO A DINNER HOSTED BY THE FOREIGN MINISTER.
 CAPUTO TOOK A VERY FORTHCOMING LINE ON CENTRAL AMERICA,
 NOTING HIS CONCERN OVER THE RECENT DOD STUDY BUT STRESSING
 THAT YESTERDAY'S WHITE HOUSE STATEMENT WAS QUOTE VERY
 POSITIVE UNQUOTE. HE AGREED THAT OUR FOUR PRINCIPLES
 WOULD BE ESSENTIAL ELEMENTS OF ANY TREATY, AND WAS
 REASSURED BY MY EMPHASIS ON SERIOUS PURSUIT OF AN
 AGREEMENT THAT WOULD BE COMPREHENSIVE, SIMULTANEOUS,
 AND VERIFIABLE.

10. I SPENT THE AFTERNOON ON A LARGE PRIVATE FARM IN
 THE PAMPAS, SOUTH OF BUENOS AIRES AND HEAD OFF FOR BRAZIL
 THIS MORNING.
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FOR THE SECRETARY FROM WHITEHEAD

E. O. 12356: DECL: OADR

TAGS: OVIP (WHITEHEAD, JOHN C.)

SUBJ: MY TRIP TO BRAZIL

1. SECRET - ENTIRE TEXT.

2. AFTER THREE DAYS IN BRAZIL, I OWE YOU A REPORT. WE SPENT SUNDAY IN FOZ DO IGUAQU VISITING THE FAMOUS WATERFALL AND THE NEW DOLS 15 BILLION ITAIPU DAM. MONDAY IN SAO PAULO WITH CARDINAL ARNS AND A VARIETY OF LEADING BRAZILIAN AND AMERICAN BUSINESSMEN. TUESDAY AND NOW WEDNESDAY IN BRASILIA WITH ALL THE LEADING GOVERNMENT FIGURES INCLUDING PRESIDENT SARNEY, FOREIGN MINISTER SODRE, FINANCE MINISTER FUNARO, SCIENCE AND TECHNOLOGY MINISTER ARCHER AND CENTRAL BANK PRESIDENT BRACHER. I ALSO MADE AN UNSCHEDULED VISIT TO THE CONGRESS AND HAPPENED TO DROP IN ON THE SENATE DEBATE ON INFORMATICS. THIS WAS WELL REPORTED IN THE PRESS AS IF IT HAD BEEN PURPOSELY TIMED. WE'LL FLY HOME TONIGHT AND I'LL BE IN THE OFFICE TOMORROW.

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3. ECONOMICALLY BRAZIL IS THRIVING. THEY ARE NOW THE WORLD'S TENTH LARGEST ECONOMY. THEY HAD EIGHT PERCENT REAL GROWTH LAST YEAR AND EXPECT SEVEN PERCENT THIS YEAR, BOTH PROBABLY BETTER THAN ANYONE ELSE IN THE WORLD. THE NEW ECONOMIC PLAN WHICH FROZE WAGES AND PRICES IN FEBRUARY HAS ELIMINATED INFLATION FOR THE FIRST TIME IN YEARS. ALTHOUGH SOME SLIPPAGE IS BEGINNING TO SHOW UP. THE PROGRAM HAS CLEARLY CAPTURED THE PEOPLE'S CONFIDENCE. THEIR TRADE SURPLUS PROVIDES MORE THAN ENOUGH MONEY TO SERVICE THEIR FOREIGN DEBT. WHICH AT DOLS 98 BILLION USED TO BE THE LARGEST IN THE WORLD BUT NOW IS THIRD BEHIND THE U.S. AND MEXICO. WHEN I POINTED OUT THIS SLIPPAGE TO FUNARO, HE SAID "WE LIKE THAT." YOU FEEL THE PROSPERITY EVERYWHERE AND THE PEOPLE ARE OPTIMISTIC. IF I WERE STILL A BANKER, I THINK I'D BE OFFERING A NEW LOAN TO BRAZIL AT MARKET RATES. AT LEAST FOR NOW, VOLCKER CAN RELAX ON BRAZIL.

4. POLITICALLY THE SITUATION IS MORE COMPLEX. AFTER A VERY TENTATIVE START, SARNEY HAS COME ON STRONG AND IS NOW VERY POPULAR. CONGRESSIONAL ELECTIONS COME IN NOVEMBER AND IT WILL BE THE NEW CONGRESS WHICH WILL WRITE A NEW CONSTITUTION AND SET THE COURSE FOR BRAZIL'S DEMOCRACY FOR YEARS TO COME. THERE IS EVERY REASON TO BELIEVE THAT THE CENTRIST COALITION WHICH SARNEY HAS FORGED WILL PREVAIL IN THE ELECTION.

5. UNFORTUNATELY, RELATIONS WITH THE U.S. ARE VERY GOOD AND THERE IS FAULT ON BOTH SIDES. ON THE ONE HAND, BRAZIL CONSIDERS ITSELF A DEVELOPING

NATION WHICH IS OWED ASSISTANCE OF EVERY SORT FROM THE COLOSSUS OF THE NORTH. IT POCKETS WHATEVER

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WE GIVE THEM WITH NEVER A WORD OF APPRECIATION
OR ACCEPTANCE OF THE CONCEPT OF RECIPROCITY. ON
THE OTHER HAND, AS AN EMERGING WORLD POWER THEMSELVES,
THEY RESENT THE FACT THAT THEY DO NOT HAVE MORE
INFLUENCE IN MATTERS BEYOND THEIR OWN BORDERS AND
THEY DON'T QUITE KNOW HOW TO HANDLE THEMSELVES. THEY
ARE LIKE A TEENAGER, PHYSICALLY AN ADULT
BUT MENTALLY IN MOST WAYS STILL A CHILD, EAGER TO
VENTURE FORTH IN THE WORLD BUT RELUCTANT TO LET
GO OF ITS SAFE HAVEN AS A DEVELOPING NATION.

6. ALTHOUGH THE UNDERLYING RELATIONSHIP IS BASICALLY
SOUND, WE HAVE LITERALLY DOZENS OF IRRITATING
ISSUES WITH THEM. FIRST, THERE ARE THE ISSUES OF
THEIR FOREIGN DEBT WHERE WE HAVE CRITICIZED THEM FOR
NOT GETTING AN IMF AGREEMENT. LED THE PARADE IN
OPPOSING A PARIS CLUB RESTRUCTURING AND THREATENED
TO TAKE THEM OFF COVER AT THE EXIM BANK. THEN THERE
ARE THE TRADE ISSUES, WITH INFORMATICS BEING THE
LEADING ISSUE, BUT WITH SUGAR, STEEL, ETHANOL, TEXTILES,
PHARMACEUTICALS, FINE CHEMICALS, INTELLECTUAL PROPERTY,
VIDEO TAPES, AND BIOTECHNOLOGY ALL LURKING IN THE
BACKGROUND IN VARIOUS STAGES OF DISAGREEMENT. THERE
ARE DISAGREEMENTS ON THEIR NUCLEAR POLICIES AND
THEIR REFUSAL TO SIGN THE NPT, ON TECHNOLOGY TRANSFERS
AND THEIR REFUSAL TO GIVE END-USER ASSURANCES, ON
CIVIL AIR MATTERS, ON MARITIME TRANSPORTATION, ON
GATT POLICY WHERE THEY OPPOSE DISCUSSING SERVICES IN
THE SEPTEMBER ROUND AND ON ARMS SALES. THE LIST GOES
ON AND ON.

7. DIFFERENT AGENCIES IN OUR GOVERNMENT NEGOTIATE
THESE ISSUES WITH GREAT INTENSITY WITH THEIR COUNTER-
PARTS IN BRAZIL, WITH LITTLE OR NO OVERALL COORDINATION

OR REGARD FOR THE IMPORTANCE OF THE OVERALL RELATIONSHIP.
WE NEED TO TAKE THE LEAD IN COORDINATING HOW WE DEAL

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WITH BRAZIL AND DEVELOP SOME KIND OF A MECHANISM TO
SETTLE THESE ISSUES AT AN EARLY STAGE BEFORE THEY
BECOME POLITICAL HOT POTATOES. I SUGGESTED THE
POSSIBILITY OF A DISTINGUISHED GROUP OF THREE AMERICANS
AND THREE BRAZILIANS WHICH WOULD MEET EVERY
FEW MONTHS. HEAR PRESENTATIONS FROM THE FIRING-
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NEGOTIATORS AND TRY TO SETTLE THE OUTSTANDING ISSUES.
BRAZIL IS READY, I THINK, TO BE LED INTO MORE
ADAPTIVE POLICIES, BUT THEY WON'T BE BULLIED OR
PRESSURED.

8. ON THE SPECIFIC ISSUE OF INFORMATICS, MY
MISSION WAS TO REDUCE THE INTENSITY OF THE DEBATE AND
TO PERSUADE BRAZIL TO AT LEAST DISCUSS THE ISSUE.
ON THIS I BELIEVE I WAS SUCCESSFUL. THIS IS ONE THAT
HAD REALLY GOT BADLY OUT OF HAND AND OUR ACTIONS
IN WASHINGTON IN PUBLICLY THREATENING THEM
LED TO FRONT-PAGE BANNER HEADLINES HERE DAY AFTER
DAY AND WERE SERIOUSLY DAMAGING TO OUR RELATIONSHIP.
I WORKED ON THIS ONE FROM THE FIRST DAY, PREPARING
THE PATH WITH FRIENDLY, PEACEFUL PUBLIC COMMENTS
BEFORE I ARRIVED IN BRASILIA, AND TAKING A
CONCILIATORY LINE IN ALL THE MEETINGS HERE. THE END
RESULT IS THAT "CONVERSATION," NOT "NEGOTIATIONS"
WILL BEGIN AGAIN SOON, PROBABLY IN A NEUTRAL LOCATION,
AWAY FROM THE PRESS. THE WORD "NEGOTIATIONS" MEANS
TO THEM THAT WE ARE DISCUSSING CHANGES IN THEIR
INFORMATICS LAW WHICH THEY WILL NOT CONSIDER
AND WE DO NOT HAVE AS OUR OBJECTIVE, SO WE HAVE
DROPPED THE WORD. WHAT WE DO SEEK ARE DISCUSSIONS

LEADING TO A FAIR INTERPRETATION AND EQUITABLE
ADMINISTRATION OF THE LAW I THINK WE CAN GET THAT.
THEY WILL WANT, AND SO WILL WE, SUPERVISORY AUTHORITY
BY THE FOREIGN MINISTER AND THE SECRETARY OF STATE
OVER THE WORK OF THE NEGOTIATORS TO AVOID RECURRING

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PROBLEMS. WE MUST REMEMBER THAT THEY ARE NOT ENTIRELY
CLEAR IN THEIR OWN MINDS WHAT THEY WANT THE LAW TO
DO.

9. WE MUST AVOID PUBLIC STATEMENTS. PRESSURE TACTICS
AND TALK OF RETRIBUTION OR THREATS. THIS ONLY RAISES
THEIR BLOOD PRESSURE AND DAMAGES THEM POLITICALLY.
WE MUST REMEMBER THEY ARE STILL A VERY FRAGILE
DEMOCRACY. IN OFFICE LESS THAN A YEAR AFTER 21
YEARS OF MILITARY DICTATORSHIP. THEY REMAIN DEEPLY
SUSPICIOUS OF US. NO RELATIVELY MINOR TRADE MATTERS
ARE WORTH LOSING BRAZIL AS A FRIEND. THEY ARE THE
DOMINANT COUNTRY OF LATIN AMERICA AND THE KEY TO
THE FUTURE HERE.

10. THANK YOU FOR GETTING ME AUTHORITY TO OFFER A
STATE VISIT TO SARNEY IN SEPTEMBER. AS IT TURNED
OUT, I THOUGHT IT MIGHT BE MISUNDERSTOOD IF I
OFFERED THIS RIGHT NOW AND I DID NOT PLAY THE CARD.
WE CAN PLAY IT IN THE NEXT HAND AS SEEMS DESIRABLE.

11. I THINK THIS LEG OF MY TRIP WAS A SUCCESS. THE
PRESS COVERAGE HAS BEEN GENERALLY GOOD. THE RELATION-
SHIP IS BACK ON TRACK. BUT IT IS A VERY NARROW
RAZOR'S EDGE TRACK AND EVERYONE MUST WORK VERY HARD
TO KEEP IT FROM FALLING OFF AGAIN.

12. IF YOU ARE SHORT OF TIME, YOU CAN STOP HERE. THE
FOLLOWING PARAGRAPHS COVER INTERESTING MATTERS RAISED
IN SEVERAL OF THE SPECIFIC VISITS.

13. CARDINAL ARNS. ARNS, BRAZIL'S BEST KNOWN
CLERGYMAN AND LEADER OF THE CHURCH'S LIBERAL WING,
EXPRESSED CONFIDENCE IN THE PACE OF DEMOCRATIZATION.
HE ALSO STRESSED THE NEED FOR AGRARIAN REFORM TO
HELP STEM RURAL VIOLENCE AND URBAN MIGRATION.

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14. SAO PAULO PRIVATE SECTOR. THE BRAZILIAN AND AMERICAN BUSINESSMEN THAT I MET IN SAO PAULO WERE UNANIMOUS IN THEIR DESIRE TO PUT THE INFORMATICS DISPUTE BEHIND US. THEY WILL CONTINUE TO LOBBY THE GOB TO MAKE PEACE ON INFORMATICS AND TO EDUCATE THE GOVERNMENT ON THE BENEFITS FOR EVERYONE OF INCREASED INTERNATIONAL TRADE.

15. SODRE. AS I MADE CLEAR IN MY DEPARTURE STATEMENT IN SAO PAULO, I EMPHASIZED TO THE FOREIGN MINISTER THAT I HAD NOT COME TO BRAZIL TO DELIVER DEMANDS OR ULTIMATUMS ON INFORMATICS OR ANY OTHER ISSUE. HE AGREED THAT WE NEED TO LOWER THE RHETORIC AND SIT DOWN TOGETHER TO DISCUSS OUR DIFFERENCES. I THINK SODRE WOULD LIKE TO FIND A QUICK, FAIR SOLUTION; WHETHER HIS BUREAUCRACY CAN BE PULLED ALONG IN THE SAME SPIRIT IS LESS CERTAIN.

16. SARNEY. I CONGRATULATED SARNEY ON HIS SKILLFUL MANAGEMENT OF BRAZIL'S RETURN TO DEMOCRACY AND ON THE SUCCESS OF HIS ECONOMIC REFORM PLAN. HE READILY AGREED THAT WE NEED TO RESOLVE OUR DIFFERENCES OVER RELATIVELY MINOR ISSUES BEFORE THEY BECOME MAJOR PROBLEMS. BUT HE ARGUED AT SOME LENGTH THAT BRAZILIAN DEMOCRACY IS STILL FRAGILE; HE NEEDS TO MOVE CAUTIOUSLY. I SYMPATHIZED, BUT POINTED OUT THAT WE HAVE OUR OWN POLITICAL PRESSURES.

ESPECIALLY FROM AN INCREASINGLY PROTECTIONIST CONGRESS. ON INFORMATICS, SARNEY PROMISED TO DEFUSE THE PUBLIC DEBATE AND TAKE A POSITIVE APPROACH IN OUR FORTHCOMING "CONVERSATIONS."

17. MINISTER OF SCIENCE AND TECHNOLOGY ARCHER. ARCHER, A HARDLINER ON INFORMATICS, TOOK A FAIRLY CONCILIATORY LINE WITH ME. HIS MOST ENCOURAGING

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COMMENT WAS THAT HE IS CURRENTLY STUDYING WAYS OF
PROVIDING SOME FORM OF COPYRIGHT PROTECTION FOR
FOREIGN FIRMS.

18. FINANCE MINISTER FUNARO. FUNARO WAS UNDERSTANDABLY
UPBEAT ABOUT THE BRAZILIAN ECONOMY'S SPECTACULAR
PROGRESS. HE FLATLY REJECTED ANY KIND OF AGREEMENT
WITH THE IMF, BUT WAS CONFIDENT THAT BRAZIL CAN
WORK OUT AN ARRANGEMENT WITH THE PARIS CLUB TO BEGIN
TO PAY OFF BACK INTEREST. HE LIKED THE IDEA
OF A JOINT COMMISSION TO HELP RESOLVE BILATERAL
TRADE DISPUTES.

WATSON

NOTE BY OC/T: PARA 7 (*) GARBLED, CORRECTION TO FOLLOW.

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